

107TH CONGRESS
2D SESSION

H. R. 5398

To amend the Internal Revenue Code of 1986 to allow a minimum credit against the alternative minimum tax where stock acquired pursuant to an incentive stock option is sold or exchanged at a loss.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 18, 2002

Mr. SAM JOHNSON of Texas (for himself, Mr. NEAL of Massachusetts, Mr. HERGER, and Mr. MATSUI) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a minimum credit against the alternative minimum tax where stock acquired pursuant to an incentive stock option is sold or exchanged at a loss.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. MINIMUM CREDIT AGAINST THE ALTERNATIVE**
4 **MINIMUM TAX WHERE STOCK ACQUIRED**
5 **PURSUANT TO AN INCENTIVE STOCK OPTION**
6 **IS SOLD OR EXCHANGED AT A LOSS.**

7 (a) IN GENERAL.—Section 53 of the Internal Rev-
8 enue Code of 1986 (relating to credit for prior year min-

imum tax liability) is amended by adding at the end the following new subsection:

“(e) SPECIAL RULE IN CASE OF INCENTIVE STOCK OPTIONS.—

“(1) IN GENERAL.—The amount determined under subsection (c) for any taxable year beginning after December 31, 2001, shall be not less than the lesser of—

“(A) the incentive stock option tax, or

“(B) the greater of \$3,000 or 50 percent of the regular tax for such taxable year.

“(2) INCENTIVE STOCK OPTION TAX.—For purposes of this subsection, the term ‘incentive stock option tax’ means the excess (if any) of—

“(A) the aggregate tax imposed by section 55 by reason of section 56(b)(3) for all prior taxable years with respect to stock if—

“(i) such stock is sold or exchanged during the taxable year or any prior taxable year, and

“(ii) a loss is recognized on such sale or exchange for purposes of part VI, over

“(B) the aggregate increase in the amount determined under subsection (c) by reason of this subsection for all prior taxable years.”

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2001.

